

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 EUR-12 ISO-00 AGR-05 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 SP-02 STR-01 TRSE-00 CIEP-01

FRB-03 OMB-01 SS-15 NSC-05 L-02 H-01 /073 W

----- 023652

R 031200Z MAR 75

FM AMEMBASSY DAR ES SALAAM

TO SECSTATE WASHDC 7582

INFO AMEMBASSY LONDON

AMEMBASSY KHARTOUM

AMEMBASSY NAIROBI

AMCONSUL ZANZIBAR

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E.O.11652: N/A

TAGS: EAGR, ETRD, EFIN, EAID, TZ

SUBJECT: TANZANIAN COTTON: STOCKS, PRICES AND PROSPECT
OF SEVERE REDUCTION IN PRODUCTION

REF: A) STATE 032744; B) DAR ES SALAAM 3480 (10/17/74);

C) DAR ES SALAAM A-215 (12/19/74); D) DAR ES SALAAM A-030

1. SUMMARY: MOST OF TANZANIA'S 1974 COTTON CROP HAS BEEN
SOLD AT THIS TIME AND THERE IS NO EVIDENCE THAT IT HAS
WRITTEN CONTRACTS AT BELOW COST OR BELOW GOING WORLD PRICES.
DOUBTFUL THAT TANZANIA WILL INFLUENCE MARKET CONDITIONS
NEXT YEAR BY MUCH AS OUTLOOK FOR ITS COTTON PRODUCTION HAS
BEEN DARKENED BY TANGOV'S EFFORT TO INCREASE FOOD PRODUCTION
AT ALL COSTS. CURRENT PREDICTION IS THAT PRODUCTION WILL ONLY
BE MODESTLY ABOVE HALF, RPT, HALF OF LAST YEAR'S FIGURE. END
SUMMARY.

2. CONTENTS OF REF A DISCUSSED WITH TANZANIAN COTTON
AUTHORITY (TCA) MARKETING MANAGER LIMBU WHO NOTED, AS PREFACE
COMMENT, THAT MOST OF TCA'S 1974 CONTRACTS WITH OVERSEAS
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BUYERS HAVE BEEN HONORED. AS NOTED IN REF B, TANZANIA

SOLD AS MUCH LINT FORWARD AS IT COULD WHEN PRICE WAS HIGH, CONSEQUENTLY THERE HAS BEEN LITTLE NEED FOR TANZANIA TO SELL NOW AT PRICES SIGNIFICANTLY BELOW WORLD PRICE. LIMBU EXPLAINED LARGER CONTRACTS OF 50 - 70,000 BALES HAVE BEEN KEPT AS THEY HAVE BEEN MADE WITH ESTABLISHED BUYERS LIKE RALLI (UK) AND BUNGE (NETHERLANDS) AND ONLY FEW SMALLER BUYERS, TYPICALLY WITH PURCHASES OF AROUND 1,000 BALES, HAVE BROKEN THEIR CONTRACTS.

3. AS RESULT, TANZANIA CAME TO END OF MARKETING SEASON IN FEBRUARY WITH ONLY 40,000 UNSOLD BALES. AUCTION EARLY FEBRUARY PRODUCED BIDS OF AROUND 37 US CENTS POUND AND TCA DECLINED TO SELL ON GROUNDS THAT PRICE WAS 6 CENTS BELOW PRODUCTION COSTS. BUYERS WERE INFORMED TCA WOULD NOT SELL FOR LESS THAN 46 CENTS. ACCORDING TO LIMBU, QUALITY OF TANZANIAN STAPLE SUITS PRODUCTION REQUIREMENTS OF SEVERAL FAR EAST MILLS AND WHEN THEIR BUYERS HEARD POSSIBLE DECLINE OF TANZANIAN PRODUCTION THIS YEAR (SEE BELOW), THEY CAME BACK AND MET THE TANZANIAN PRICE.

4. LIMBU CONFIDED THAT OUTLOOK FOR NEXT YEAR'S PRODUCTION IS VERY POOR. HIS PRESENT ESTIMATES INDICATE ONLY 200,000 BALES (OR SLIGHTLY MORE THAN HALF OF THIS YEAR'S PRODUCTION OF ABOUT 340,000 BALES). REASON FOR DECLINE CLEARLY TRACED TO GOVERNMENT'S CAMPAIGN TO GROW MORE FOOD CROPS THIS YEAR TO MAKE TANZANIA SELF-SUFFICIENT IN FOOD (SEE REF C). CONSEQUENTLY, GOVERNMENT DELIBERATELY DELAYED DELIVERY OF COTTON SEED TO FARMERS TO FORCE THEM TO GROW MORE FOOD -- TYPICALLY CORN. WHEN SEED WAS FINALLY MADE AVAILABLE IT REACHED THE FARMERS NEAR THE END OF PLANTING SEASON IN THE AREA SOUTH OF LAKE VICTORIA (SUKUMALAND) WHERE OVER 90 PERCENT OF COTTON IS GROWN. SITUATION SERIOUS ENOUGH TO CAUSE PRESIDENT TO MAKE SWING THROUGH COTTON AREAS TO ENCOURAGE FARMERS TO PLANT. LIMBU DOUBTS PRESIDENTIAL TOUR OF THE HUSTINGS WILL CHANGE PRODUCTION TOTALS. IRONY OF SITUATION IS THAT THE RAINS THIS YEAR ARE NEARLY NORMAL OR ALMOST IDEAL FOR COTTON GROWING -- BUT NOT ENOUGH FOR GOOD CORN CROP. CONSEQUENTLY, TANZANIA, AND THE FARMERS IN THE AREA IN PARTICULAR, LOOK TO LOSE BOTH WAYS: A MODICUM OF CORN AND MODEST COTTON CROP LIMITED OFFICIAL USE

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(THAT RANKS WITH THE YEARS AFTER KOREAN WAR WHEN COTTON STARTED TO BE GROWN IN TANZANIA ON A LARGE SCALE).

5. WITH COTTON PRODUCTION PROSPECTS IN SUKUMALAND POOR, GOVERNMENT IS NOW ENCOURAGING PRODUCTION IN COASTAL UPLAND AREAS BEHIND DAR ES SALAAM AND TANGA. THESE AREAS RECEIVE RAINS END OF MARCH AND THERE IS STILL TIME TO GET COTTON CROP IN GROUND. DOUBT THIS WILL HAVE MUCH EFFECT ON TOTAL SIZE OF

COTTON CROP AS EASTERN TANZANIA NORMALLY GROWS 5-20 PERCENT OF CROP, AND FARMERS THERE ALSO UNDER SAME PRESSURE (BUT LESS SO NOW) AS THEIR COMPATIROTS IN SUKUMALAND TO GROW FOOD THIS YEAR.

6. COMMENT: IN VIEW PROSPECT OF SHARP DECLINES IN TANZANIAN COTTON PRODUCTION FORECASTED FOR THIS YEAR, WE DOUBT TANZANIA WILL BE IN MUCH OF A POSITION TO INFLUENCE MARKET AS DISCUSSED IN REF A. TANGOV HAS, IN MANNER OF SPEAKING, INTERVENED TO CUT BACK PRODUCTION BUT NOT IN MANNER ENVISIONED IN PARA 5 OF REF A. CONSEQUENTLY, WHILE WE ASSUME TCA WILL BE UNDER PRESSURE TO SELL COTTON TO EARN BADLY NEEDED FOREIGN EXCHANGE, WE DOUBT IT WILL DUMP THIS YEAR'S CROP ON MARKET AT BELOW PRODUCTION COSTS. THIS OPINION, HOWEVER, ASSUMES THAT TCA WILL CONTINUE TO FOLLOW CONSERVATIVE MARKETING PRACTICES AND FOREIGN AID DONORS WILL CONTINUE TO COVER TANZANIA BALANCE OF PAYMENTS GAP.

7. OTHER ISSUES AND QUESTIONS RAISED BY SPECTER OF DECLINES IN COTTON AND FOOD PRODUCTION IN SUKUMALAND ARE DISCUSSED IN REF D WHICH WILL BE POUCHED THIS WEEK.

8. NOTE: TANZANIAN BALES OF COTTON WEIGH 400 POUNDS.
CARTER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COTTON, EXPORTS, STOCKS (SECURITIES), PRICES, PRODUCTION DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 03 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: RowellE0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975DARES00650
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750076-0867
From: DAR ES SALAAM
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750389/aaaadcso.tel
Line Count: 139
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 032744, 75 DAR ES SALAAM 3480, 75 (10/17/7
Review Action: RELEASED, APPROVED
Review Authority: RowellE0
Review Comment: n/a
Review Content Flags:
Review Date: 01 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 JUL 2003 by BoyleJA>; APPROVED <03 NOV 2003 by RowellE0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TANZANIAN COTTON: STOCKS, PRICES AND PROSPECT OF SEVERE REDUCTION IN PRODUCTION
TAGS: EAGR, ETRD, EFIN, EAID, TZ
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006